

Message Text

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PAGE 01 STATE 153315
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AMEMBASSY PORT MORESBY POUCH
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E.O. 11652: GDS

TAGS: ENRG, TATT, PGOV, PINT, PORG, EGEN, EFIS, ECON, MASS

SUBJECT: WEEKLY STATUS REPORT - KOREA

TO: EA - MR. HOLBROOKE

FROM: EA/K - ROBERT G. RICH, JR.

1. ROK APPROACH TO GERMANS ON HEAVY WATER PLANT
TECHNOLOGY (CONFIDENTIAL)

EMBASSY SEOUL REPORTS THAT THE KOREA ELECTRIC COMPANY
HAS APPROACHED A GERMAN FIRM ABOUT THE NEGOTIATED PURCHASE
OF SEVERAL HEAVY WATER POWER REACTORS AND THE POSSIBLE
CONSTRUCTION OF A HEAVY WATER PLANT IN KOREA TO SUPPLY
THEM WITH A MODERATING AGENT. WHILE WE WOULD NOT OBJECT
TO REACTOR SALES, THE TRANSFER OF HEAVY WATER PRODUCTION
TECHNOLOGY TO THE ROK COULD HAVE SERIOUS NON-PROLIFERATION
SECRET

SECRET

PAGE 02 STATE 153315

IMPLICATIONS, AND WE WOULD STRONGLY OPPOSE IT. THE
EVIDENCE ON ROKG INTENTIONS, AND THE LIKELY GERMAN
RESPONSE, IS INCONCLUSIVE. WE CALLED TOGETHER KNOWLEDGE-
ABLE PEOPLE FROM PM, OES, INR AND EUR THIS WEEK TO DISCUSS
THE SITUATION AND FOUND VIRTUAL UNANIMITY OF VIEWPOINT.
WE WILL ASK EMBASSY BONN TO TAKE INFORMAL SOUNDINGS TO

DETERMINE WHETHER WE NEED TO WEIGH IN MORE DIRECTLY TO AVOID ANY CONTRETEMPS SUCH AS OCCURRED OVER THE FRG-BRAZILIAN ENRICHMENT FACILITY DISCUSSIONS. (DB).

2. CONGRESSIONAL COMMITTEES TO ISSUE KOREA REPORTS (CONFIDENTIAL)

THE SENATE ETHICS COMMITTEE WILL BE ISSUING A REPORT ON ITS KOREAGATE INVESTIGATIONS MONDAY, JUNE 19. ALSO EARLY NEXT WEEK, THE SENATE SELECT COMMITTEE ON INTELLIGENCE WILL BE ISSUING A REPORT AND RECOMMENDATIONS ON USG HANDLING OF FOREIGN INTELLIGENCE ACTIVITIES IN THE USA BY FRIENDLY GOVERNMENTS, USING THE KOREAGATE EPISODE AS A CASE STUDY. WHILE WE HAVE NOT SEEN THE CONCLUSIONS OF THE INTELLIGENCE COMMITTEE STUDY, WE HAVE REVIEWED THE FACTUAL SECTION WITH COMMITTEE STAFF IN DRAFT. OUR PREVIOUS EXTENSIVE RESEARCH INTO THE DEPARTMENT'S RECORD ENABLED US SUCCESSFULLY TO GET SOME PEJORATIVE STATEMENTS REMOVED FROM THE DRAFT. NEVERTHELESS, THE REPORT'S RATHER DETAILED DISCUSSION OF INTELLIGENCE REPORTS WILL PROBABLY PRODUCE MAJOR HEADLINES WHEN RELEASED. (RGR). -

3. POSSIBLE NEW ACTIVITY IN OIL EXPLORATION (CONFIDENTIAL)

WITH THE PASSING INTO LAW IN JAPAN ON JUNE 14 OF THE
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SECRET

PAGE 03 STATE 153315

JAPAN-ROK CONTINENTAL SHELF AGREEMENT IMPLEMENTING LEGISLATION, WE EXPECT RENEWED INTEREST IN USG POLICY ON EXPLORATION BY AMERICAN COMPANIES IN DISPUTED OFFSHORE AREAS AROUND KOREA. THE ROKG WILL PRESS AMERICAN COMPANIES HOLDING CONCESSIONS TO PROCEED WITH EXPLORATION EXPEDITIOUSLY ALTHOUGH SOME AREAS REMAIN IN DISPUTE WITH THE ROC AND THE PRC. WE HAVE PREVIOUSLY ADVISED AMERICAN COMPANIES AGAINST DRILLING IN DISPUTED AREAS. THERE MAY BE SOME FLEXIBILITY IN OUR POLICY, NOW THAT THE JAPANESE AGREEMENT HAS BEEN IMPLEMENTED, AND WE WILL BE COORDINATING THIS WITHIN AND OUTSIDE THE BUREAU TO FORMULATE RESPONSES TO THE QUERIES WE ANTICIPATE. (BDP).

4. US-ROK DEFENSE INDUSTRY COOPERATION (SECRET)

AMBASSADOR SNEIDER REPORTS STRONG INDICATIONS THAT OUR POSITIVE BUT SELECTIVE ASSISTANCE TO ROK DEFENSE INDUSTRY PROGRAMS IS ALREADY HAVING A DEMONSTRABLE EFFECT. ALTHOUGH RECOGNIZING THAT THE FINAL JURY VERDICT IS NOT IN, THE AMBASSADOR REPORTS A DISTINCT CHANGE IN THE ROKG PERCEPTION OF U.S. INTENTIONS WHICH HAS HAD THE

ADDED BENEFIT OF ENABLING U.S. OFFICIALS NOW TO DISCUSS OUR CONCERN FULLY AND FRANKLY WITH KOREAN COUNTER-PARTS. U.S. PERSONNEL ARE ALSO NOW BEING BROUGHT INTO DEFENSE INDUSTRY QUESTIONS IN A MORE OPEN MANNER. THIS NEW ROKG OPENNESS AND FRANK DIALOGUE REGARDING SENSITIVE AREAS OF ENDEAVOR APPEARS ALREADY TO HAVE SWEEPED SOME EXTRANEIOUS PROJECTS INTO THE DUSTBIN, AND SUGGESTS THAT THROUGH A COOPERATIVE APPROACH WE WILL BEST BE ABLE TO STEER ROKG ACTIVITIES INTO WORTHWHILE ENDEAVORS. INCREASED ROKG CONFIDENCE IN U.S. SECURITY SUPPORT HAS AT LEAST APPARENTLY LESSENED PRESSURES FOR UNECONOMICAL OR INAPPROPRIATE DEFENSE INDUSTRY PROJECTS. (RGR).

SECRET

SECRET

PAGE 04 STATE 153315

5. DPM NAM DUCK-WOO VISITING WASHINGTON (LIMITED OFFICIAL USE)

DEPUTY PRIME MINISTER NAM DUCK-WOO IS MAKING A FOUR-DAY VISIT TO WASHINGTON, BEGINNING JUNE 19. CONCURRENTLY HEAD OF KOREA'S ECONOMIC PLANNING BOARD, HE IS THE TOP ECONOMIST IN THE ROKG AND CONSIDERED A PRIMARY ARCHITECT OF KOREA'S SUSTAINED ECONOMIC GROWTH. WHILE HERE, HE WILL SEE SECRETARIES BERGLAND AND BLUMENTHAL, AID ADMINISTRATOR GILLIGAN, EX-IM BANK CHAIRMAN MOORE AND IBRD PRESIDENT MCNAMARA. AT IBRD HE WILL SIGN A \$110 MILLION LOAN TO THE KOREAN DEVELOPMENT BANK. AT AGRICULTURE HE IS EXPECTED TO FOCUS ON LONG-TERM ARRANGEMENTS FOR SUPPLY AND CREDIT. HE WILL NOT BE SEEING ANYONE AT THE DEPARTMENT, SINCE SECRETARY VANCE WAS UNAVAILABLE FOR A COURTESY CALL. (BDP).

6. CONTINUED WHALING THREATENS KOREAN EXPORTS TO THE US (LIMITED OFFICIAL USE)

WE HAVE INFORMED THE ROKG THAT UNLESS IT TAKES IMMEDIATE ACTION TO JOIN THE INTERNATIONAL WHALING COMMISSION (IWC), THUS SUBJECTING ITS WHALING TO INTERNATIONAL QUOTAS, IT IS LIKELY TO FACE A US EMBARGO ON KOREAN FISHERIES IMPORTS. SUCH AN EMBARGO, MANDATED BY THE PELLY AMENDMENT WHERE COUNTRIES ARE UNDERMINING AN INTERNATIONAL CONSERVATION REGIME FOR WHALES, WOULD BE IMPOSED BY THE PRESIDENT AT THE RECOMMENDATION OF THE SECRETARY OF COMMERCE. SUCH AN ACTION WOULD SET AN UNDESIRABLE PRECEDENT OF DIRECT COERCION IN OUR WHALE CONSERVATION EFFORTS, AND WOULD BE A PUBLIC RELATIONS CATASTROPHE FOR KOREA. WE BELIEVE THE KOREANS WILL JOIN THE IWC. (DB).

SECRET

SECRET

PAGE 05 STATE 153315

7. GLEYSTEN CONFIRMATION HEARING SCHEDULED
(UNCLASSIFIED)

BILL GLEYSTEN'S HEARING BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE AS AMBASSADOR-DESIGNATE TO THE REPUBLIC OF KOREA WILL TAKE PLACE TUESDAY, JUNE 20. (RGR).

8. NORTH KOREAN FISHERMEN RETURNED (UNCLASSIFIED)

THE JUNE 13 REPATRIATION OF THE NORTH KOREAN FISHERMEN AT PANMUNJOM PROCEEDED IN A BUSINESSLIKE MANNER UNTIL AFTER THE MEN CROSSED THE MILITARY DEMARCATION LINE. THEN, AT A COMMAND, THEY STRIPPED TO THEIR DRAWERS AND HURLED CLOTHING AND PACKAGES RECEIVED FROM THEIR SOUTH KOREAN HOSTS BACK ACROSS THE LINE. NBC TV COVERAGE SHOWED SOME OF THE MISSILES STRIKING UNC GUARDS AND ONLOOKERS. U.S. NETWORK COMMENTATORS POKED FUN AT THE LOUTISH NORTH KOREAN BEHAVIOR. THE RETURN WAS CERTAINLY A PLUS FOR SOUTH KOREA'S IMAGE. (FM).

9. LEGISLATIVE CALENDAR (LIMITED OFFICIAL USE)

THE AGRICULTURE APPROPRIATION BILL CLEARED THE HOUSE AGRICULTURE COMMITTEE JUNE 14 WITH PL-480 FOR KOREA INTACT DESPITE THE RECENT JAWORSKI-INSPIRED "SENSE OF THE HOUSE" RESOLUTION. THE BILL WILL REACH THE HOUSE FLOOR ABOUT JUNE 20. THE SECURITY ASSISTANCE LEGISLATION WILL BE ADDRESSED ON THE HOUSE FLOOR DURING THE WEEK OF JUNE 26. WE EXPECT ANOTHER STRATTON-TYPE EFFORT TO PLACE RESTRICTIONS ON ANY FURTHER TROOP WITHDRAWALS FROM KOREA BEYOND STAGE ONE. (RGR).

10. THE ECONOMIC BOOM CONTINUES AS DOES THE FIGHT
AGAINST INFLATION (UNCLASSIFIED)

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PAGE 06 STATE 153315

PRELIMINARY DATA SHOW ROK FIRST QUARTER REAL GROWTH IN GNP UP 15.8 PERCENT OVER FIRST QUARTER LAST YEAR. THIS MAKES THIS THE THIRD BEST FIRST QUARTER IN HISTORY DESPITE A 5.1 PERCENT FALL IN AGRICULTURAL PRODUCTION. THE REAL IMPETUS CAME FROM THE CONSTRUCTION AND SOCIAL OVERHEAD CAPITAL SECTORS, UP 26.4 PERCENT OVER LAST

YEAR'S FIRST QUARTER. APRIL STATISTICS INDICATE THE
BOOM IS CONTINUING, BUT INFLATION WORRIES CONTINUE TO
ATTRACT ATTENTION. IN AN ATTEMPT TO HALT THE PRICE
SPIRAL, THE ROKG HAS RAISED INTEREST RATES THIS WEEK AND
IS PRESSING FORWARD WITH ITS IMPORT LIBERALIZATION
PROGRAM. WHILE EXPORTS FOR APRIL MAINTAINED A HIGH
GROWTH RATE OF 28 PERCENT OVER THE SAME MONTH IN 1977,

IMPORTS APPEAR TO BE RISING EVEN FASTER. (BDP). CHRISTOPHER

NOTE BY OC/T: POUCHED PORT MORESBY.

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